

PERFORMANCE AUDIT
OF THE
CHILDREN'S TRUST FUND
FAMILY INDEPENDENCE AGENCY

EXECUTIVE DIGEST

CHILDREN'S TRUST FUND

INTRODUCTION	This report contains the results of our performance audit* of the Children's Trust Fund (CTF), Family Independence Agency.
AUDIT PURPOSE	This performance audit was conducted as part of the constitutional responsibility of the Office of the Auditor General and pursuant to Section 722.612 of the <i>Michigan Compiled Laws</i> , which requires a performance audit of CTF. Performance audits are conducted on a priority basis related to the potential for improving effectiveness* and efficiency* and as required by law.
BACKGROUND	<p>CTF was created by Act 249, P.A. 1982 (Sections 21.171 and 21.172 of the <i>Michigan Compiled Laws</i>), to receive funds for the prevention of child abuse* and child neglect*.</p> <p>The State Child Abuse and Neglect Prevention Board was created by Act 250, P.A. 1982 (Sections 722.601 - 722.613 of the <i>Michigan Compiled Laws</i>), to administer CTF and to help prevent child abuse and neglect. The Board consists of 14 members. Hereafter, "CTF" will be used to mean the Fund, the Board, and operations.</p> <p>Taxpayer contributions were the major source of funding for CTF prior to fiscal year 2000-01. These contributions were made through taxpayer designations on State income tax returns. Act 249, P.A. 1982, provides that not more</p>

* See glossary at end of report for definition.

than one half of such taxpayer designations deposited in CTF, plus investment earnings credited during the previous fiscal year, shall be available for CTF expenditures. The Act also states that when CTF assets exceed \$20,000,000, only the current investment earnings will be used to fund CTF expenditures and the authorization for taxpayer designations on State income tax returns will expire. Further, the Act requires that CTF use donations received for CTF expenditures. In addition, effective March 28, 2001, Act 71, P.A. 2000, provides for the issuance of a State-sponsored children's trust fund-raising collector license plate.

During fiscal year 1999-2000, CTF received supplemental appropriations of approximately \$13,100,000 that fully funded the trust and terminated the authorization for State income tax return designations. As of September 30, 2000, CTF had total assets of \$20,810,559.

CTF funds may only be used to fund grants for the prevention of child abuse and administrative costs. Expenditures and operating transfers out totaled \$2,405,734 and \$2,012,394 during fiscal years 1999-2000 and 1998-99, respectively.

As of April 30, 2001, CTF staff included the executive director, 5 full-time employees, 2 part-time employees, and 3 student assistants.

**AUDIT OBJECTIVES
AND CONCLUSIONS**

Audit Objective: To assess the effectiveness of CTF in supporting and funding programs and services that prevent child abuse and neglect.

Conclusion: We concluded that CTF was effective in supporting and funding programs and services that prevent child abuse and neglect.

Audit Objective: To assess the effectiveness of CTF in awarding grants and monitoring grant recipients.

Conclusion: We concluded that CTF was effective in awarding grants and monitoring grant recipients.

Audit Objective: To assess CTF's compliance with applicable laws, the *Michigan Administrative Code*, and State policies and procedures.

Conclusion: We concluded that CTF was in compliance with applicable laws, the *Michigan Administrative Code*, and State policies and procedures.

AUDIT SCOPE AND
METHODOLOGY

Our audit scope was to examine the program and other records of the Children's Trust Fund. Our audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

The financial statements of the Children's Trust Fund are audited biennially and reported separately in the financial audit, including the provisions of the Single Audit Act, of the Family Independence Agency.

Our audit methodology included examination of CTF's records and activities for the period October 1, 1998 through April 30, 2001.

We reviewed applicable State statutes and administrative rules, discussed CTF program goals* and objectives* with program personnel, and analyzed direct service grants.

* See glossary at end of report for definition.

We evaluated the direct service grant award, reporting, and monitoring processes. Also, we reviewed local council grants and evaluated the reporting process.

PRIOR AUDIT
FOLLOW-UP

CTF complied with all three prior audit recommendations.

December 6, 2001

Mr. Douglas E. Howard, Director
Family Independence Agency
and
Ms. Pamela Posthumus, Chairperson
State Child Abuse and Neglect Prevention Board
Grand Tower
Lansing, Michigan

Dear Mr. Howard and Ms. Posthumus:

This is our report on the performance audit of the Children's Trust Fund, Family Independence Agency.

This report contains our executive digest; description of agency; audit objectives, scope, and methodology and prior audit follow-up; comments; and a glossary of acronyms and terms. Our comments are organized by audit objective.

We appreciate the courtesy and cooperation extended to us during this audit.

Sincerely,

Thomas H. McTavish, C.P.A.
Auditor General

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Description of Agency

The Children's Trust Fund (CTF) was created by Act 249, P.A. 1982 (Sections 21.171 and 21.172 of the *Michigan Compiled Laws*), to receive funds for the prevention of child abuse and neglect. The State Child Abuse and Neglect Prevention Board was created by Act 250, P.A. 1982 (Sections 722.601 - 722.613 of the *Michigan Compiled Laws*), to administer CTF and to help prevent child abuse and neglect. Hereafter, "CTF" will be used to mean the Fund, the Board, and operations.

CTF was transferred from the Department of Management and Budget to the Family Independence Agency (FIA) by Executive Order No. 1992-15, effective August 31, 1992. FIA provides budgeting, procurement, and administrative support to CTF.

The State Child Abuse and Neglect Prevention Board consists of 14 members. The Governor appoints 10 members. Other members include the Superintendent of Public Instruction and the directors of FIA, the Department of Community Health, and the Michigan Department of State Police, or their designees. The Governor designates the chairperson of the Board from among the public members.

Taxpayer contributions were the major source of funding for CTF prior to fiscal year 2000-01. These contributions were made through taxpayer designations on State income tax returns. Act 249, P.A. 1982, provides that not more than one half of such taxpayer designations deposited in CTF, plus investment earnings credited during the previous fiscal year, shall be available for CTF expenditures. The Act also states that when CTF assets exceed \$20,000,000, only the current investment earnings will be used to fund CTF expenditures and the authorization for taxpayer designations on State income tax returns will expire. Further, the Act requires that CTF use donations received for CTF expenditures. In addition, effective March 28, 2001, Act 71, P.A. 2000, provides for the issuance of a State-sponsored children's trust fund-raising collector license plate.

During fiscal year 1999-2000, CTF received supplemental appropriations of approximately \$13,100,000 that fully funded the trust and terminated the authorization for State income tax return designations. As of September 30, 2000, CTF had total assets of \$20,810,559.

CTF funds may only be used to fund grants for the prevention of child abuse and administrative costs. Expenditures and operating transfers out totaled \$2,405,734 and \$2,012,394 during fiscal years 1999-2000 and 1998-99, respectively.

The Board appoints the executive director and approves the number of staff members hired and their job descriptions. As of April 30, 2001, CTF staff included the executive director, 5 full-time employees, 2 part-time employees, and 3 student assistants.

Audit Objectives, Scope, and Methodology and Prior Audit Follow-Up

Audit Objectives

Our performance audit of the Children's Trust Fund (CTF), Family Independence Agency (FIA), had the following objectives:

1. To assess the effectiveness of CTF in supporting and funding programs and services that prevent child abuse and neglect.
2. To assess the effectiveness of CTF in awarding grants and monitoring grant recipients.
3. To assess CTF's compliance with applicable laws, the *Michigan Administrative Code*, and State policies and procedures.

Audit Scope

Our audit scope was to examine the program and other records of the Children's Trust Fund. Our audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

The financial statements of the Children's Trust Fund are audited biennially and reported separately in the financial audit, including the provisions of the Single Audit Act, of the Family Independence Agency.

Audit Methodology

Our audit procedures, performed between December 2000 and April 2001, included examination of CTF's records and activities for the period October 1, 1998 through April 30, 2001.

To accomplish our objectives, we reviewed applicable State statutes and administrative rules.

In connection with our first objective, we discussed CTF program goals and objectives with program personnel. Also, we surveyed local councils and FIA child abuse

prevention and protective services personnel to obtain feedback on CTF programs and collaborative efforts. Further, we analyzed direct service grant types and geographic distribution.

In connection with our second objective, we reviewed a random sample of direct service grant applications and evaluated the grant award process. We also evaluated the direct service grant reporting and monitoring processes. Further, we reviewed a random sample of local council grants and evaluated the reporting process.

In connection with our third objective, we examined State Child Abuse and Neglect Prevention Board minutes, education conference materials, public relations materials, State plans, and other related program documentation.

Prior Audit Follow-Up

CTF complied with all three prior audit recommendations.

COMMENTS

PROGRAM EFFECTIVENESS

COMMENT

Background: Section 722.609 of the *Michigan Compiled Laws* requires the State Child Abuse and Neglect Prevention Board to distribute trust fund money for the development and operation of direct service prevention programs and local councils.

Direct service prevention programs are designed to prevent child abuse and neglect through the delivery of primary and secondary prevention services to Michigan families. Primary prevention services are available to all members of the general population and seek to promote wellness. Secondary prevention focuses on the early identification and support of individuals with risk factors for a specific problem or disorder.

The Children's Trust Fund (CTF) funds 69 local child abuse and neglect prevention councils that serve 80 counties. Local councils are community-based organizations that identify needs and facilitate collaborative prevention programs in their communities.

Audit Objective: To assess the effectiveness of CTF in supporting and funding programs and services that prevent child abuse and neglect.

Conclusion: We concluded that CTF was effective in supporting and funding programs and services that prevent child abuse and neglect.

GRANT AWARDING AND RECIPIENT MONITORING

COMMENT

Background: In fiscal years 1999-2000 and 1998-99, CTF awarded grants of approximately \$452,000 and \$449,000 to local councils and \$339,000 and \$373,000 to direct service prevention programs located throughout the State. These grant recipients submit financial and program reports to CTF, and CTF monitors them through desk reviews and on-site visits.

Audit Objective: To assess the effectiveness of CTF in awarding grants and monitoring grant recipients.

Conclusion: We concluded that CTF was effective in awarding grants and monitoring grant recipients.

COMPLIANCE WITH APPLICABLE LAWS AND REGULATIONS

COMMENT

Audit Objective: To assess CTF's compliance with applicable laws, the *Michigan Administrative Code*, and State policies and procedures.

Conclusion: We concluded that CTF was in compliance with applicable laws, the *Michigan Administrative Code*, and State policies and procedures.

Glossary of Acronyms and Terms

child abuse	Harm or threatened harm to a child's health or welfare by a parent, legal guardian, or any other person responsible for the child's health or welfare or by a teacher or teacher's aide that occurs through nonaccidental physical or mental injury; sexual abuse; sexual exploitation; or maltreatment.
child neglect	Harm or threatened harm to a child's health or welfare by a parent, legal guardian, or any other person responsible for the child's health or welfare that occurs through either of the following: (i) Negligent treatment, including the failure to provide adequate food, clothing, shelter, or medical care, or (ii) Placing a child at an unreasonable risk to the child's health or welfare by failure of the parent, legal guardian, or any other person responsible for the child's health or welfare to intervene to eliminate the risk when that person is able to do so and has, or should have, knowledge of the risk.
CTF	Children's Trust Fund.
effectiveness	Program success in achieving mission and goals.
efficiency	Achieving the most outputs and outcomes practical for the amount of resources applied or minimizing the amount of resources required to attain a certain level of outputs or outcomes.
FIA	Family Independence Agency.
goals	The agency's intended outcomes or impacts for a program to accomplish its mission.
mission	The agency's main purpose or the reason that the agency was established.

objectives	Specific outputs that a program seeks to perform and/or inputs that a program seeks to apply in its efforts to achieve its goals.
performance audit	An economy and efficiency audit or a program audit that is designed to provide an independent assessment of the performance of a governmental entity, program, activity, or function to improve public accountability and to facilitate decision making by parties responsible for overseeing or initiating corrective action.